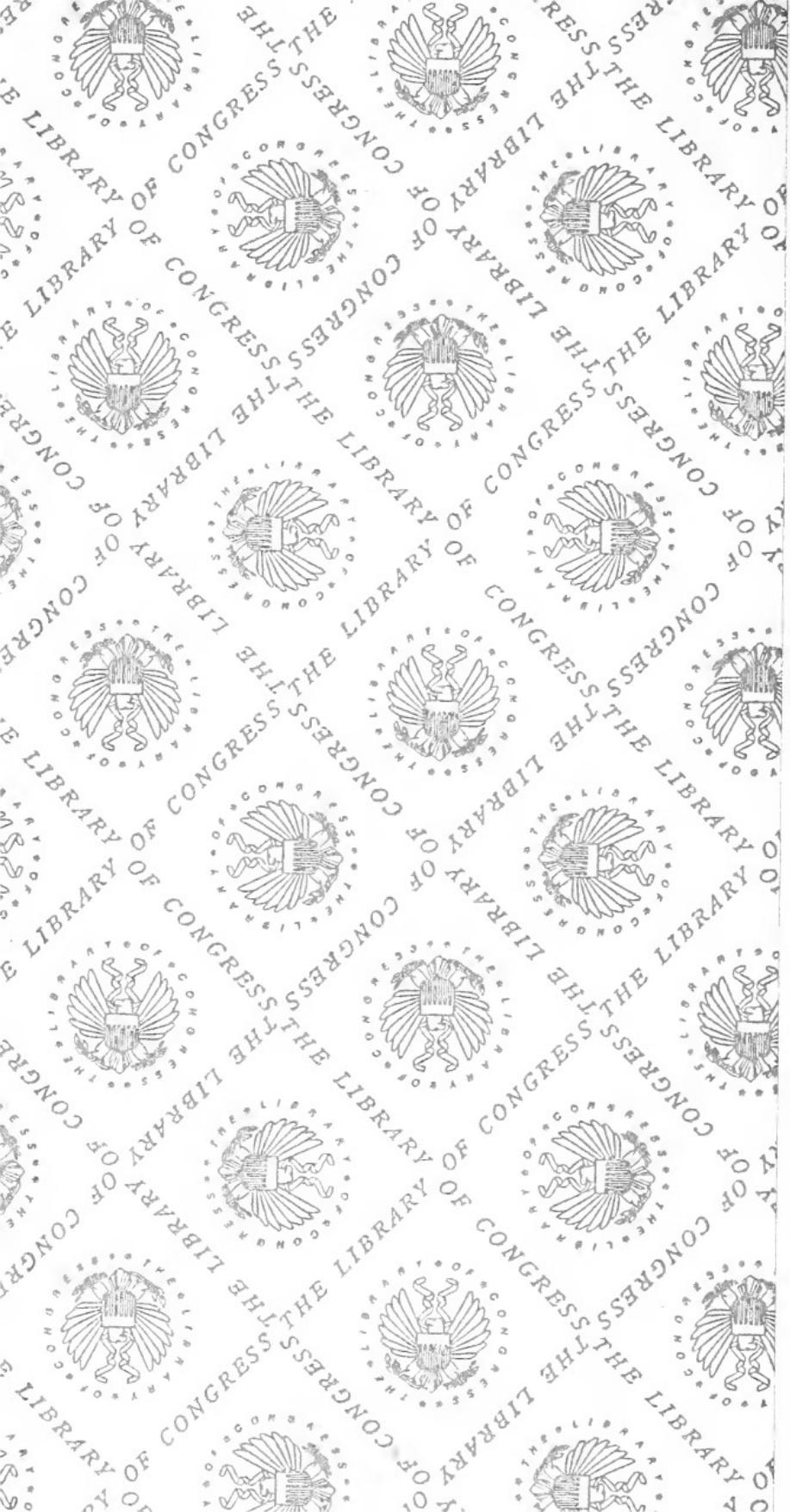
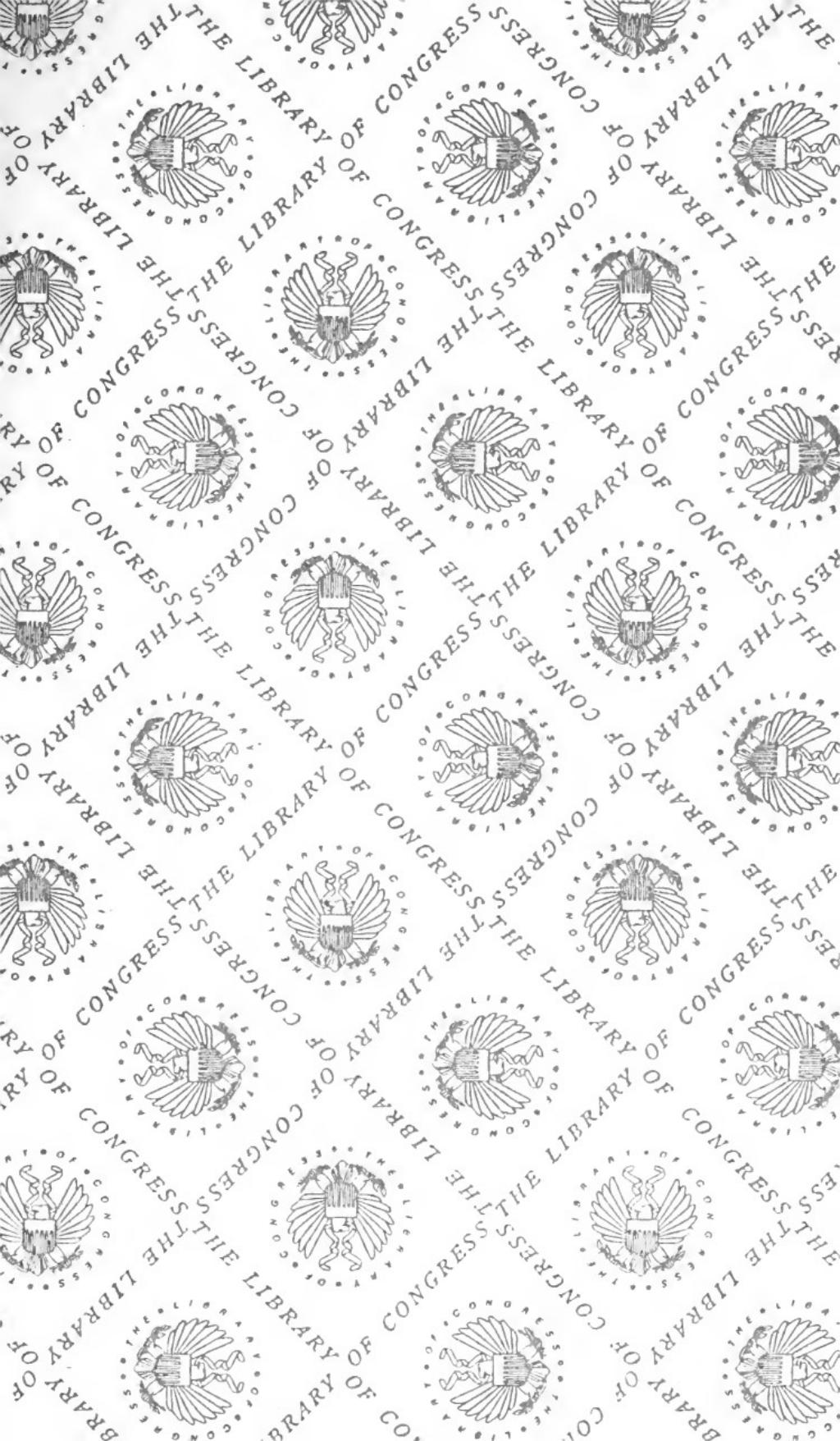


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A Century of Cycles In Business

By

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**"Ample and accurate information is the first
step towards success".**

J. J. Hill

PREFACE.

It is a great desideratum to know when good times will commence, and it is also important to know how long they will continue, and when we may expect the next reaction in general business. Believing that human affairs move in cycles as certain as the laws of nature, and believing in the axiom, "History repeats itself," and that statistics confirm this belief, and as these cycles in business have been too numerous, regular and persistent to allow for a theory of fortuitous circumstances, this volume has been written in the hope that some light may be thrown on the future, in setting forth what has taken place in the past. In the belief that the average reader prefers not to be confronted with a mass of statistics, the volume has been made as concise as possible, and the aim has been to group the cycles together with only absolutely essential data, as a ready reference for the busy man who cares to contrast the past with the present, and to compare history with what is transpiring in the present, that he may resolve upon right conclusions, as to how and when the cycles will repeat themselves in the future, for his guidance, and if in this, it shall in any way succeed in aiding in the slightest degree, the wish of the author will be gratified.

"A CENTURY OF CYCLES IN BUSINESS."

To decipher the handwriting on the wall, to foretell the future intelligently, and to secure ample and accurate information in regard to supply and demand, production and consumption, is the great want that finance and commerce are at this time battling with and trying to solve.

Statistics prove that the price of commodities and the contraction and expansion of business work in a systematic order, and occur in an established succession as certain and regular as the laws of nature. All nature is found to be the servant of law: spring, summer, autumn and winter succeed each other in unchangeable regularity, and the recurrences of the various convulsions of nature are being determined on scientific principles; none of these things happen by chance, but all of them according to some law which as yet remains unsolved.

The axiom "History repeats itself" implies a cyclical movement in human affairs, and as it is a generally accepted opinion that everything moves in cycles, especially in nature, from the facts given herein, showing the cycles between the years of good business, and the years of depression and their regular return, it is obvious that "History does repeat itself" and that human affairs move in cycles as certain as the laws of nature. The only theory for this that can be advanced is, that the business community has a tendency to go from one extreme to the other. As a whole, it is either contracting business under a belief that prices will be lower, or expanding under the belief that prices will be higher, bringing to pass in unchanging regularity the cycles

from the point of too much confidence, or over-expansion, to the point of hopelessness and depression.

The Iron Trade is the chief and ruling industry of this country if not in the world, and is accepted as one of the best indicators of the general course of the country's activity. Iron is the most useful of all metals; in fact, the foundation of our civilization and the most important factor of progress. As the iron industry rises and falls in the scale of prosperity, so does the general business of the country. Pig iron is the barometer of trade, and the periodical downward swings in the price of this commodity indicate depression, general stagnation and panic, in the same manner and as positively, as the sudden falling of the mercury in the barometer denotes violent changes in the atmospheric world. It is on the statistics of this commodity and on the periodical return of the high and low priced years that the business cycles are based, and after careful consideration it must be confessed that they most assuredly have a legitimate bearing on the future, and it must also be confessed that the cycles have been too numerous, regular and persistent to allow for a theory of fortuitous coincidence, which seems to be the opinion held by some writers.

Facts are the data for all just reasoning, the primary elements of all real knowledge. Knowing that history never fails to repeat itself and given the facts of the past, it is not necessary to possess the gift of prophecy to formulate an infallible rule, which if taken at the advance leads to success; and, if taken at the decline, leads to bankruptcy and ruin.

The "Ups and Downs" of prices have reference to a series of years as distinguished from daily and weekly fluctuations, and it will be noticed that the "Ups and Downs" in the

yearly prices of pig iron in a series of years are very noticeable, and while revulsions that occur from time to time may have a temporary influence to depress prices below their natural position, they do not in their effects change the general course of prices in their cycles. It takes a number of years to complete an "Up and Down." An "Up" consists of a period of years in which the price advances from the low point and reaches its maximum, and a "Down" of a period of years in which the price declines from its maximum to the lowest. The advances, it will be found, are in the series of two years, four years, three years and repeat: the declines are in the series of six years, five years, seven years and repeat, making a major cycle of twenty-seven years. It must not be expected that the cycles terminate exactly at the end of each specific year, as the low prices of a "Down" period may extend into a fraction of the first year of an "Up" period and vice versa, but in the period of time covered by a major cycle of twenty-seven years it will be found that they equalize each other, and as in nature we find that one season may and does extend beyond the prescribed limits for a short time.

It will be noted that the cycles of adversity and prosperity alternate inside of every ten years, and but few of these prosperous decades come to any person in an active business life. That these recurrences have taken place is not a debatable question, and while the argument has arisen, that as this country is young and growing that there will gradually be a slowing down in both methods and effects, nevertheless the fact remains that these cycles have occurred in older countries like England and France with the same regularity that they have in the United States, which disproves the theory that age and seasoning pro-

duce any appreciable improvement.

It is useless to wait the greater part of our lifetime for the results of our own experience; we must act upon what others know. We cannot afford to make any mistakes or miss any opportunity; therefore, on these periodic declines it is useless to waste our strength or impair our energies. Commercial depressions afford the best opportunity for profitable investment, and capital invested at the top and culmination of a speculative era will be lost beyond the hope of recovery.

* AXIOMS.

Prices are high when they are above the cost of production on a declining market.

Prices are low when they are below the cost of production on an advancing market.

When the price of an article declines below cost, production will diminish until demand increases and prices advance.

When the price of an article advances above cost, production will increase until demand ceases and prices decline.

The cost of production is the wages of labor, interest on capital and wear of land and machinery.

When the cost of pig iron is thirty dollars per ton, it may be either high or low, and like a certain game with cards, the points depend upon the trumps that are out.

If the cost of production is above on a declining market, then thirty dollars per ton is high; if the cost of production is below on an advancing market, thirty dollars per ton is low.

* BENNER.

Period, 1819—1823.

Down Cycle—5 years.

1819	\$39.75	per ton,	January.
1820	35.00	"	Average.
1821	35.00	"	"

1822.....	35.00	"	"
1823.....	35.50	"	November.

The data compiled dates from the year 1819, and commences with a down cycle of five years. In the year 1819 occurred a commercial panic which produced a disastrous revulsion in trade, and caused the failure of a majority of the merchants in the country, and two-thirds of the real estate passed from the hands of the owners to their creditors. Ruin was spread over the land and multitudes of banks and individuals were broken. The panic was the result of a tremendous contraction of bank circulation. The year 1820 was characterized by great financial distress throughout the country owing to excessive importation and a deranged currency.

During the years 1820, 1821 and 1822, the average price of pig iron remained stationary, and continued so until the month of November, 1823, when the price advanced fifty cents per ton, marking the end of the depression and bringing to a close the down cycle of five years.

Period, 1824—1827.

Up Cycle—4 years.

1824.....	\$37.25 per ton, January.
1825.....	46.75 " Average.
1826.....	46.50 " "
1827.....	47.50 " March.

The year 1824 ushered in an Up Cycle of four years, and the price of pig iron advanced from \$35.50 per ton in November, 1823, to \$37.25 per ton by January, 1824. The protective tariff enactments of 1824 were followed by a general inflation in all lines of business, although the European crisis of 1825 caused a diminished demand for American products and led to fractionally lower prices in 1826 and some money stringency. The effect, however, was temporary, and prices again ad-

vanced, reaching the maximum price of \$47.50 in March, 1827, which year ended the Up Cycle of four years.

Period, 1828—1834.

Down Cycle—7 years.

1828.....	\$35.00	per ton January.
1829.....	35.00	" Average.
1830.....	35.00	" "
1831.....	35.00	" "
1832.....	35.00	" "
1833.....	38.50	" "
1834.....	28.50	December.

The period from 1828 to 1834 is the second Down Cycle of the series, and the price of pig iron which had taken the descending scale in 1827, by January, 1828, had reached the price of \$35.00 per ton, marking a Down Cycle to continue seven years. The year 1828 was marked by many failures among the manufacturers and trades. In 1833 the tariff of twelve dollars and one-half was reduced. During the latter part of the year business improved somewhat and the average price of 1833 is higher than the five preceding years, during which time the price remained passive, but by December, 1834, the price had again declined to \$28.50 per ton, with business in all branches of trade depressed, and the aggregate duties on all imports collected the lowest in many years.

Period, 1835—1837.

Up Cycle—3 years.

1835.....	\$29.25	per ton January.
1836.....	41.50	" Average.
1837.....	47.00	June.

In accordance with the cyclical law the period from 1835 to 1837 was an Up Cycle and the second of the series in accordance therewith. Prices again took the ascending scale and by January, 1835, had advanced to \$29.25 per ton. Prices continued to advance and the

Up Cycle continued its sway until the year 1837, when the price reached the maximum of \$52.50 per ton in February. In May, 1837, a commercial panic swept over the country for which there was abundant cause. It will be noted the price of pig iron had turned in February, three months previous to the panic, and therefore the turning point cannot be attributed to this cause. There had been rapid industrial and commercial growth with a multitude of enterprises established ahead of time. Crops were deficient and breadstuffs were imported. The refusal of the government to extend the charter of the United States bank caused a radical change in the banking business of the country, while the withdrawal of public deposits and their lodgment with State banks had given the foundation to abnormal speculation, and the ruinous fall in prices involved the fortunes of merchants, and all persons engaged in the trades.

Period, 1838—1843.

Down Cycle—6 years.

1838.....	\$35.00	per ton	January.
1839.....	30.00	"	"
1840.....	32.75	"	"
1841.....	28.50	"	"
1842.....	27.75	"	"
1843.....	25.00	"	August.

The year 1838 was the beginning of the third down cycle, to continue six years. From the opening to the close of this cycle the price of pig iron continued to decline with methodical regularity, and from \$35.00 per ton in January, 1838, had declined \$10.00 per ton, to \$25.00 in July, 1843. The latter year was a remarkable one for the extreme depression in prices that prevailed for all staple articles.

Period, 1844—1845.

Up Cycle—2 years.

1844.....	\$27.00	per ton	January.
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1845..... 32.00 " August.

Just like nature bringing to pass the different seasons, an Up Cycle was again due in 1844, and the price of pig iron which had declined to \$25.00 per ton in July, 1843, by January, 1844, had advanced to \$27.00 per ton, reaching the maximum price in May, 1845, of \$36.50 per ton, which ended the Up Cycle of two years, and also marked the culmination of a Major Cycle of twenty-seven years from 1819 to 1845.

Prices declined five years from 1819 to 1823; advanced four years to 1827; declined seven years to 1834; advanced three years to 1837; declined six years to 1843, and again advanced two years to 1845.

Decline

1819)
1820)
1821) 5 years
1822)
1823)

Advance

1824)
1825)
1826) 4 years
1827)

1828)
1829)
1830)
1831) 7 years
1832)
1833)
1834)

1835)
1836) 3 years
1837)

1838)
1839)
1840)
1841) 6 years

1842)

1843)

1844)

1845) 2 years

It will be noted the declines are in the series of six years, five years, seven years and repeat; the advances are in the series of two years, four years, three years and repeat. Also, it will be noted that in the Major Cycle of twenty-seven years there are nine years of advances and eighteen years of declines, making the ratio of declines to advances as two to one.

"Ascertaining the truth and dismissing from our minds all prejudice and preconceived opinions, let us have the wisdom and courage to be guided by it."

WILLIAM McKINLEY.

Period, 1846—1850.

Down Cycle—5 years.

1846.....	\$28.00	per ton	January.
1847.....	30.25	"	Average.
1848.....	26.50	"	"
1849.....	22.75	"	"
1850.....	20.00	"	July.

The price of No. 1 pig iron is used from the beginning of this Down Cycle of five years, the first Down Cycle of the second Major Cycle, No. 1 pig iron having become standard at that time. The year 1846 was the cyclical year for the Down Cycle to become operative, and from May, 1845, the price declined from \$36.50 per ton to \$28.00 per ton in January, 1846. On April 24th, 1846, the war with Mexico was declared and continued until July 4th, 1848. During this period the influx of gold from California also took place. The Down Cycle continued until 1850, the lowest price being quoted in July of that month. Our war with Mexico during 1846, 1847 and 1848, and the influx of gold from California did not

have the effect of changing the direction of the price of iron, as it continued after the war and after peace was declared. A change for the better did not take place until after the lowest price of \$20.00 per ton was reached in July, 1850, which year ended the Down Cycle.

Period, 1851—1854.

Up Cycle—4 years.

1851.....	\$21.50	per ton	January.
1852.....	22.62	"	Average.
1853.....	36.12	"	"
1854.....	38.00	"	August.

The year 1851 ushered in an Up Cycle of four years, and the discovery of gold in California during the Down Cycle just closed, had many important bearings on this period of prosperity into which the country entered in 1851. Hope and courage were instilled into the people, land values increased, and a stimulus was given to the extension of railroads to the Pacific coast. Shipping was developed, immigration was encouraged, the manufacture of mercantile goods was stimulated, as well as transportation and other pursuits.

Owing to the rising tide of immigration and the general prosperity of all enterprises, railroads were extended throughout the entire country on an unprecedented scale. Every branch of domestic business was extensively active, and merchants and manufacturers were vying with each other to extend credits, and to do everything to increase the prosperity then in existence.

By the discovery of gold the wealth of the country had been suddenly increased, and every inhabitant was either directly or indirectly helped thereby, and unconsciously felt the impulse given both by this suddenly increased production of gold and a rapid rise in

prices. This was a great encouragement to enterprises of all kinds and an incentive to further speculation, as it is natural for people to feel when prices are rising they will continue to go up. The high price of \$38.00 per ton was the maximum and was reached in August, 1854, ending the Up Cycle of four years.

Period, 1855—1861.
Down Cycle—7 years.

1855.....	\$35.12	per ton	January.
1856.....	27.12	"	"
1857.....	26.75	"	"
1858.....	22.25	"	"
1859.....	23.37	"	"
1860.....	22.75	"	"
1861.....	18.67	"	October.

At the beginning of 1855 the iron trade anticipated a continuation of the good prices and business of the preceding four years, but the law of cycles ordained otherwise, and the price of iron which had reached \$38.00 per ton in 1854 had declined by January 1st, 1855, to \$31.12 per ton, and continued to decline to the end of the seven year cycle ending in 1861.

The year 1857 brought forth a commercial reaction and financial difficulties, a panic of the first magnitude. Railroad building had been conducted on a broad scale, and the proportion of specie held by the banks was very small in proportion to the loans and deposits. The tariff was reduced in 1857, and owing to the deficiency in the revenue in 1858 the government was compelled to borrow twenty millions of dollars. The general direction of business continued downward, reaching a climax in the depression of 1861, when in the spring of that year the war of the rebellion burst upon the country like thunder from a clear sky, creating disturbance in all business, and producing general consternation and stagna-

tion in the iron trade. The seven years covering the period from 1855 to 1861 were very disastrous to the iron trade and prostrated more furnaces than any period of declines in the history of the country to this date, and can well be likened to the seven lean years of biblical history.

Period, 1862—1864.

Up Cycle—3 years.

1862.....	\$20.00	per ton	January.
1863.....	35.25	"	"
1864.....	75.25	"	September.

By January, 1862, in accordance with the law of cycles the price of iron had advanced to \$20.00 per ton. Trade improved and was very active during the war of the rebellion, prices reaching the high water mark in September, 1864, of \$75.25 per ton. In February of that year speculation in stocks was wild and rampant, and on April 18, a semi-panic took place in Wall street.

Period, 1865—1870.

Down Cycle—6 years.

1865.....	\$58.12	per ton	January.
1866.....	46.87	"	Average.
1867.....	44.12	"	"
1868.....	39.25	"	"
1869.....	40.67	"	"
1870.....	31.25	"	December.

Beginning with the year 1865 the Down Cycle was in the ascendant, to continue for six years. In April, 1865, the war of the rebellion was brought to a close, and on April 14th, President Lincoln was assassinated. The London panic in 1866 was followed by a heavy drop in prices on the Stock Exchange here, and in February, 1866, it seemed as if everybody wanted to borrow money and no one was willing to lend. Friday, September 24th, 1869, was known as the Black Friday gold panic, and was due to the operations of a spec-

ulative clique of New York operators, the members of which created a corner in gold. In 1869 the unsettled state of the finances of the country, and the uncertainty in regard to the action of Congress in relation to the resumption of specie payments greatly paralyzed trade, being one of the most unsatisfactory and unprofitable years experienced since 1837.

Period, 1871—1872.

Up Cycle—2 years.

1871.....\$34.25 per ton March.

1872.....53.87 " September.

During the Up Cycle 1871-1872 the country was prosperous as never before, railroad lines were being extended in every direction, marking the most gigantic railroad expansion the world ever beheld, creating an extraordinary demand for iron that had no parallel in this or any other country.

The Up Cycle of two years 1871-1872 brings to a close the second Major Cycle of the series, dating from the year 1819.

Prices declined five years from 1846 to 1850; advanced four years 1851 to 1854; declined seven years 1855 to 1861; advanced three years 1862 to 1864; declined six years 1865 to 1870 and advanced two years 1871 to 1872.

Decline

1846)

1847)

1848) 5 years

1849)

1850)

Advance

1851)

1852) 4 years

1853)

1854)

1855)

1856)

1857)

1858)	7 years
1859)	
1860)	
1861)	
	1862)
	1863) 3 years
	1864)
1865)	
1866)	
1867)	6 years
1868)	
1869)	
1870)	
	1871)
	1872) 2 years

Period, 1873—1877.
Down Cycle—5 years.

1873.....	\$45.17 per ton January.
1874.....	30.25 " Average.
1875.....	25.50 " "
1876.....	22.25
1877.....	18.00 " December.

The year 1873 was the beginning of the first Down Cycle of the series of the third Major Cycle, and in the summer of this year it became evident that the demand for iron was decreasing, the railroads were not taking as many rails as formerly and pig iron was beginning to accumulate at the furnaces. On September 19th, there burst upon the country a commercial as well as a stock exchange panic, which was the outcome of an enormous conversion of floating into fixed capital, and at this time the country was producing and importing more iron than it was consuming. Prices continued on the downward course in just as a decided manner, as the advance of 1871 and 1872 was unexpected and bewildering, and while there is no question that prices would have continued downward had the panic not occurred, the panic precipitated a

more sweeping result. During 1874 the iron business did not improve, and at the end of the year the iron trade of the country was in a condition of greater depression than at any time since the panic, and the same condition existed throughout all the other industries. It was estimated that at least a million of skilled workmen and women were out of employment because there was no work for them to do. At this time fifty-three per cent. of the furnaces were out of blast. The excessive importation of iron during these two years added greatly to the severity of the panic by glutting the market with foreign iron and closing home furnaces and rolling mills.

During the year 1877 there was an increased demand for iron, but this was neutralized, however, by the marked decrease in prices, which were too low to be profitable, and more than one-half the furnaces and many of the rolling mills were idle the whole year; failures and suspensions being frequent. The Down Cycle came to a close with this year with hardly a rift in the dark clouds, and prices for iron and steel never so low excepting in colonial days.

Period, 1878—1881.

Up Cycle—4 years.

1878.....	\$18.50	per ton January.
1879.....	21.75	" Average.
1880.....	28.50	" "
1881.....	26.25	" "

After such a depressing period as the trade passed through in the Down Cycle of five years from 1873 to 1877, it was some time before the effect was entirely offset, and while production was greater and business more active in 1878 prices did not advance. In 1879 the Government resumed specie payments, giving an impetus to business, and due to this fact prices were temporarily higher

than the average prices of the succeeding year. In this cycle we have an example of the first year of an Up Cycle being dominated by the after effects of a downward period, and a temporary effect causing higher prices in one year than in the succeeding year. This cycle ended with the year 1881 with the iron industries in full force.

Period, 1882—1888.

Down Cycle—7 years.

1882.....	\$25.75	per ton	March.
1883.....	22.42	"	"
1884.....	19.81	"	"
1885.....	17.99	"	"
1886.....	18.71	"	"
1887.....	20.93	"	"
1888.....	18.00	"	"

The extraordinary activities of the iron industry of the last Up Cycle ceased early in 1882, which was the commencement of a Down Cycle of seven years. The wants of the consumers were less urgent, and a reaction set in, so gradual and tranquil, that not only, for some time excited no apprehension, but was actually imperceptible to many manufacturers, but prices continued to drop as foretold by the rule of cycles. The year 1884 witnessed a stock exchange panic, and the failures of the Metropolitan and Marine Banks were accompanied by a fall in prices.

The cycle ended in 1888 with iron quoted at \$18.00 per ton in June, and the iron world beset with widespread stagnation.

Period, 1889—1891.

Up Cycle—3 years.

1889.....	\$18.50	per ton	November.
1890.....	19.90	"	"
1891.....	17.75		

The tide turned in 1889 and after the inauguration of President Harrison, business men became more confident; however, owing

to the many idle factories, mills and furnaces, the result of the Down Cycle just passed, it was some months before the turn in business affairs became apparent—the outlook indeed was very brilliant. The Baring financial panic in London, which occurred in November, 1890, the shock of which was felt in all the stock markets of the country, blighted the brilliant hopes and the higher prices so apparent in 1890. The Baring panic demonstrated the folly of overtrading with borrowed capital, and the effects of this financial disturbance, lack of sufficient expansion of the currency, and the restrictions of the national currency laws, hampering the banks from extending accommodations to legitimate business interests, restricted any extraordinary movements in trade, and due to this fact the year 1891 was a year of reaction in the productive industries of not only this, but of almost every other country, and the production of manufactured goods was seriously interrupted. However, being an Up Cycle, there was no general closing of manufacturing establishments, and hence very few workmen were thrown out of employment. As the year wore on the panicky feeling and the general distrust of the future subsided and money could be more easily obtained for legitimate business purposes, but the prosperity of the Up Cycle had been blighted, and discouraged the large enterprises of production. Business men were conservative and there developed a widespread conviction that caution and patience must be exercised everywhere. It will be seen from this cycle ending in 891 that we are coming down rapidly from the top.

Period, 1892—1897.

Down Cycle—6 years.

1892.....	\$17.50 per ton	January.
1893.....	14.52	" "

1894.....	12.66	"	"
1895.....	13.10	"	"
1896.....	12.95	"	"
1897.....	11.75	"	"

1892, the commencement of a Down Cycle of six years found production in many many manufacturing industries restricted, although the large crops of the summer and autumn of 1891 and the extraordinary European demand for the surplus excited hopes for higher prices. They were not realized, however, and prices continued to sink to lower levels, bringing many failures. Thirty-six railroads with 10,508 miles in operation and \$368,000,000 of stocks and bonds went into the hands of receivers, and this within the year after the harvesting of the greatest crops ever grown.

This cycle witnesseses a parallel which had not existed in forty years, which was, that the presidency and both branches of congress passed into the hands of the democratic party. Radical legislation was promised by the democrats and thoughtful business men feared that this legislation, if accomplished, would be injurious to the manufacturing interests of the country.

Europe's need of gold drained the country of sixty millions of dollars, and in 1893, the repeal of the Silver purchasing law gave business confidence a shock that nearly broke the whole country. In this same year another panic came upon the country, caused by the currency situation, withdrawal of foreign investments, and the fear of radical tariff legislation. In 1894 the country suffered one of the most severe droughts known, seriously reducing both the wheat and corn crops, and cotton touched the lowest price known for a generation. The following year in December, President Cleveland's ill-starred Venezuela message was sent out; the effect was instan-

taneous and a dread of coming calamity spread over the country, and the minds of the people were filled with a feeling of distrust, and the dreadful specter of war hovered in the air. Credit was broken down and the war scare was felt by all. Prices continued to decline, and the Down Cycle ended in 1897.

It will be noted from this cycle that we are sinking lower at the bottom.

Period, 1898—1899.

Up Cycle—2 years.

1898.....	\$12.00 per ton January.
1899.....	25.00 " December.

An Up Cycle of two years was inaugurated with the year 1898, and in this year business was larger than in the very best of all past years, but the improvement was more in the volume of trade than in the rise of prices. During 1899 labor troubles were numerous, having a tendency to check the progress of business. It will be noticed that business revivals are growing weaker, and that the tides of speculation are being held back, and it is very evident that there is lacking a sufficient amount of money in this country to induce great speculation. The banks repeatedly have to call in their loans by reason of their exhausted reserves. Something is fundamentally wrong in the financial world which is constantly operating to hold down prices.

With the year 1899 comes to a close the present century, and finds the world vastly different from what it was at the close of the last century; steam had not moved a boat or car; electricity had not begun talking or melting; steel was known chiefly as good material for swords and razors; no oil wells were giving light to the world. From 1800 to 1899 has been the longest step the human race has taken on this planet. To the amazing progress which has really created a new world this

country has contributed more than its share. Fulton started steamboats on the Hudson; Morse made wires talk and Field abolished the difference of a week between the old world and the new. Titusville started lights all over the world, and more gold than all the world possessed a century ago has come from the mines, not then but now in the United States. This country does not quite feed the world, but in exporting over 420,000,000 bushels of wheat and corn in the year just closed, the United States gives it more food than it could well get along without. There is no other land in the world, which does not owe something, in one way or another, to this new country which had scarcely a being and was of no consequence in the affairs of nations when the century began.

Of all the wonderful progress of the century this country performed its full share and more, and it would take too much space to mention the useful inventions which the world owes to Americans of the past century. America has revolutionized the world. Modern facilities have brought the ends of the earth together, and in turn have developed well defined cycles in business and prices governed by a law beyond the control of men.

Prices declined five years from 1873 to 1877; advanced four years 1878 to 1881; declined seven years 1882 to 1888; advanced three years 1889 to 1891; declined six years 1892 to 1897; and advanced two years 1898 to 1899.

Decline

1873)
1874)
1875) 5 years
1876)
1877)

Advance

1878)

	1879)	4 years
	1880)	
	1881)	
1882)		
1883)		
1884)		
1885)	7 years	
1886)		
1887)		
1888)		
	1889)	
	1890)	3 years
	1891)	
1892)		
1893)		
1894)	6 years	
1895)		
1896)		
1897)		
	1898)	
	1899)	2 years

Period 1900—1904.

Down Cycle—5 years.

1900.....	\$20.00	per ton	June
1901.....	15.87	"	"
1902.....	22.19	"	"
1903.....	19.92	"	"
1904.....	14.94	"	July

With 1900 the Down Cycle was in the ascendant, to remain five years. In the early part of the year the good prices of 1899 continued, but by June the price had commenced to ebb. In this year took place the anthracite coal strike and the Galveston flood. In September, 1901, President McKinley was assassinated, and in November the Northern Pacific financial panic took place. In June, 1903, occurred what was known as the "Tight Money" panic, and in this same year began the agitation for Trust regulation. In 1903, however, the iron trade experienced quite a

boom, owing to the reconstruction of the railroads, big cars and big locomotives, necessitating heavier rails, new bridges and new terminals, also, on account of the steel frame buildings. The pace was too rapid to last and ended with unexpected severity in the latter part of the year, the financial reaction together with the labor agitation discouraging all new enterprise. The year 1903 was also conspicuous as marking the culmination and collapse of the great Trust movements. The Down Cycle ended in 1904, the lowest price being reached in July.

Period 1905—1908.

Up Cycle—4 years.

1905.....	\$17.75 per ton January
1906.....	20.91 " average
1907.....	23.14 " "
1908.....	18.75 " February

The slow recovery which began in the latter part of 1904 began to strike a rapid pace in 1905, ushering in an Up Cycle of four years with a vigorous and active trade revival. From the year 1906, the price No. 2 Pig Iron, which became standard at this period, is taken as the basis. Prices continued to improve notwithstanding the national and state anti-corporation legislation, which had a harmful and injurious effect on capital and business. In 1906 the government filed a suit against the Standard Oil Co., and in this same year the Railway Rate bill was passed. During the same year there was a strain on the capital resources of the world, due to the enormous demands for trade and speculation, and to the exceedingly rapid rise in prices for raw material and labor. There was wild speculation by all classes, particularly in land, mining shares and stock exchange securities. During the middle of the year the capitalists of the country entered into stock speculation

and used most unscrupulously their power over company finance to help along their purpose. The grain harvests in 1906, as a whole, were never paralleled.

In May, 1907, the country passed through the throes of an urgent money stringency called the "Silent Panic," and in August commenced what was known as the "Roosevelt Panic." The acute money stringency of this year caused quite a sudden reduction in the working force or running time of factories all over the country, though industrial failures were very few. The money stringency was made more acute by the withdrawal of European capital loaned us the previous year; the partial withdrawal of the interior markets from Wall Street; the distress of wealthy capitalists who had tied themselves up in the speculation of the year previous; unsound banking practices, and the insolvency of several large industrial companies and numerous banks.

During 1908 there was spasmodic and irregular recovery in trade and the working forces were increased to about normal capacity; and in this year in spite of the signs of industrial depression there was a constant spirit of optimism, expressing itself in the formation of Prosperity Leagues, but the opportunity had ended with 1908, which brought to a close the Up Cycle of four years with the Railroads abandoning new projects and cutting down improvements.

Period 1909—1915.

Down Cycle—7 years.

1909.....	\$17.75 per ton January
1910.....	16.86 " average
1911.....	15.75 " to date
1912.....	
1913.....	
1914.....	

1915.....

A seven-year Down Cycle according to the cyclical law is in order commencing with 1909. In the early months of the year the demand for iron and steel and the numerous products was so contracted that severe price-cutting on the part of the so-called independent producers took place, and in the month of February the whole country was startled by the announcement that an "Open Market" for iron and steel had been proclaimed. After this announcement pig iron prices immediately dropped from fifty to seventy-five cents per ton. During 1909 there was a rapid increase in the cost of the necessities of life, affecting food, clothing and rent; there was also speculation of great magnitude in stocks, and as a result of the tying up of capital in speculation, and in the simultaneous speculation of interior markets in land and produce, there was a severe strain in the autumn on bank reserves.

The year 1910 has been far from satisfactory to the iron trade, and business contracted steadily from January to December. The spirit of enterprise was checked and confidence was shaken by the renewal of the government campaign against consolidations. Although the production of pig iron reached the total of 27,250,000 tons, which was considerably more than the previous high record, nevertheless, this large production does not indicate that the iron companies have prospered. The output has far exceeded consumptive requirements and during the greater part of the year the average profit on pig iron has amounted to but very little. At the beginning of the year furnace operators predicted it would be a banner year, but they failed to take into consideration the large amount of construction of work completed over the last

few years of the Up Cycle, which naturally resulted, as at other periods, in over production and lower prices. Shipments of the United States Steel Corporation reached a new high level during the year, but the earnings were some \$15,000,000 below those of 1907, and the unfilled tonnage of this corporation has been on the decline during the whole year, and at the close amounted to only about 2,650,000 tons, and the output barely amounting to fifty-five per cent. of capacity.

The high cost of living has naturally resulted in a general demand for higher wages, which has borne especially heavy on the railroads, some of whom announced a proposed advance in freight rates, but were prevented by an injunction secured by direct intervention of the government, which had the immediate effect of stopping the purchase of railroad equipment and supplies.

The Copper industry suffered from over production and 1910 will go down in history as one of disappointment to the copper producing interests. Consumption was rather large, however, the prices for the metal were low and the margin of profit was comparatively small, and the probabilities are that there must be a further curtailment in production to prevent an accumulation of surplus metal.

In the coal trade the year has been one of small progress.

Leather conditions during the year were exceptionally poor; the volume of sales was greatly decreased and prices were low.

In the dry goods trade, the year was very unsatisfactory, particularly in the manufacturing end. Sales were in fair volume, but profits were small.

With the Packing Companies net profits were reduced as a result of high prices of sup-

plies, and profits from the meat part of the industry were narrow and fluctuating.

Stock Exchange sales were small throughout the year, and by September dwindled to the smallest volume of any month since 1904, and in the bond market inactivity was even more pronounced.

The high prices of all commodities, the widespread extravagance, the speculation in western lands, which may yet have serious consequences, have brought about a credit situation throughout the country, the real position of which was shown in the Comptroller's statement regarding the interest received from loans by the various classes of banks. National banks averaged 7.33 per cent; State banks averaged 7.73 per cent. and Trust Co.'s averaged 6.66 per cent. A country's money market may be serene under such circumstances, but they certainly cannot be called easy or promotive of enterprise, and it is obvious that business has not only been laboring under a burden of necessity inspired by developments at Washington, but also under costly capital.

The year 1911, the third year of this Down Cycle, brings us face to face with the following facts: First and foremost the cost of living has persisted in staying upon a most unhealthy and deplorable level, saturating the country with public discontent, which was clearly shown in the results of the late election in November, 1910. President Taft has declared that the tariff will have to be revised on the piecemeal system, and it is not so long since that the country was asked to believe that the best tariff ever enacted had been escrolled upon the statute books. The country has never been alarmingly prosperous under tariff revision.

We are still laboring under a defective

monetary system, which places this country at a disadvantage in handling its share of the world's trade. Secretary MacVeagh in his annual report of the Treasury Department says: "Our system can fairly be called a panic-breeding system, whereas every other great national banking and currency system is panic-preventing. As long as we continue under our present system we are liable to panics and the devastations of panics reach republicans and democrats alike. We have no system of reserves. It concentrates in New York what are pretended to be reserves and then forces the New York banks to lend and abolish them. Now, a reserve is necessary to the very idea of banking, but our system instead of building up a reserve destroys it as fast as it inclines to accumulate."

Another factor having a restraining influence is the uncertainty concerning the legal status of corporations. If the decisions modify the present form of conducting large enterprises, then the whole machinery for performing the business of the country may be violently thrown out of gear with such results as no one can or dare predict.

The action of the Interstate Commerce Commission on the new freight schedules filed by the railroads is still another factor. The probabilities are that a majority of the increases will not be granted, in which event a readjustment of wages is inevitable, which will not be accomplished without resistance on the part of the labor organizations. If these factors develop, the effect will be contraction in business, continued timidity on the part of capital, and involuntary economy on the part of corporations and individuals.

Mr. James J. Hill, to whom the financial district frequently looks for forecasts of the general business outlook, has expressed the

belief that there would almost inevitably be a want of employment during the year 1911; he states: "We have sown the wind and must expect to reap the whirlwind. Those who have nothing to sell but their time will be out of employment. There will be a shutting down of the mines because iron and coal and other minerals that go into production of commercial articles will not be in demand."

Price cutting in the iron and steel trades and the unfilled tonnage orders sinking to lower and lower levels are unmistakable indications of dwindling business. The latter in itself shows that the trend of the times is downward, and better times cannot come for general business, until the price for iron shows that it is in demand in the industries of the country.

A careful analysis of the conditions abroad will show the majority of European countries in a pessimistic state of mind.

England has a very much strained political situation; the colonies are becoming restless, India especially causing much annoyance.

In France, the increased cost of living is looming up as an economic fact; the recent floods caused a tremendous loss, greater than any of the kind during the past three hundred years. As a result of the floods and the consequent loss, France has been very much distressed and naturally so.

In Germany, which has grown greatly in wealth, commerce and power, there is also an unsettled state of affairs. Underneath the surface the prevailing opinion seems to be, that there is a growing revolt amongst the people against the heavy taxes which are yearly increasing for a great navy and a larger army.

In Russia past conditions remain unchanged, and the country is progressing very slowly.

Norway and Sweden have plans under way to increase their standing armies.

Italy is progressing rapidly, but has its clerical troubles.

Spain succeeded in quelling its revolution, but Portugal was not so fortunate and the monarchy was overthrown.

Brazil was threatened by its mutinous navy, and our neighbor, Mexico, had an uprising which succeeded in overthrowing the government and bringing to an end the rule of Dictator Diaz.

The Government has handed down the decision in the Standard Oil and Tobacco Trust cases, and as had been generally supposed the decisions were against the Trusts. Whether the result will be beneficial to the country cannot be foretold at this time, but the opinion of Associate Justice Harlan, given here-with, seems to give the logical outcome.

In a formal opinion dissenting from the judgment of the United States Supreme Court in the Standard Oil case, Associate Justice John M. Harlan characterizes as "judicial legislation" the action of his colleagues in that court in writing into the law the qualifying words "unreasonable" and "undue" as describing restraints upon commerce and attempts at monopoly that contravene the Sherman anti-trust law.

"In my judgment," says Justice Harlan, "the decree below should have been affirmed without qualification." He declares that the opinion of the majority of the court as stated by the chief justice informs the subsidiary companies of the Standard Oil Co. of New Jersey in effect "that although the New Jersey Corporation being an illegal combination must go out of existence, they (the subsidiaries) may join in an agreement to restrain commerce among the states if such restraint be

not undue."

Justice Harlan's formal dissent is little short of sensational. He declares in effect that the Standard Oil decision, by over-reaching the action of Congress through judicial construction, is a "blow at the integrity of our governmental system, and in the end will prove most dangerous to all."

Justice Harlan expresses the conviction that the Standard Oil decision, instead of giving rest and quiet to the business of the country, will throw business into confusion and invite litigation. On this point Justice Harlan says: "The disposition of the case under consideration according to the views of the defendants, will, it is claimed, quiet and give rest to 'the business of the country.' On the contrary, I have a strong conviction that it will throw the business of the country into confusion and invite a widely-extended and harassing litigation, the injurious effects of which will be felt for many years to come. When Congress prohibited every contract, combination or monopoly in restraint of commerce, it prescribed a simple, definite rule that all could understand, and could be easily applied to everyone wishing to obey the law and not to conduct their business in violation of law.

But now, it is to be feared, we are to have, in cases without number, the constantly recurring inquiry—difficult to solve by proof—whether the particular contract, combination or trust involved in each case is or is not an "unreasonable" or "undue" restraint of trade.

Congress, in effect, said that there should be no restraint of trade, in any form, and this court solemnly adjudged many years ago that Congress meant what it thus said in clear and explicit words, and that it could not add to the words of the act. But those who condemn the action of Congress are now, in effect, in-

formed that the courts will allow such restraints of interstate commerce as are shown not to be "unreasonable" or "undue."

Justice Harlan quotes the following from the words of Chief Justice White as sustaining the conclusion he quotes above as to the limitation upon future commercial activities of the subsidiary companies: "It does not necessarily follow that because an illegal restraint of trade or an attempt to monopolize or a monopolization resulted from the combination and the transfer of stocks of the subsidiary corporations to the New Jersey corporation, that a like restraint or attempt to monopolize or monopolization would necessarily arise from agreement between one or more of the subsidiary corporations after the transfer of the stock by the New Jersey corporation."

Reviewing the condition of popular sentiment that led to the passage of the Sherman anti-trust law, Justice Harlan said: "All who recall the condition of the country in 1890 will remember that there was everywhere, among the people generally, a deep feeling of unrest. The nation had been rid of human slavery—fortunately, as all now feel—but the conviction was universal that the country was in real danger from another kind of slavery sought to be fastened on the American people, namely, the slavery that would result from aggregations of capital in the hands of a few individuals and corporations controlling for their own profit and advantage exclusively the entire business of the country, including the production and sale of the necessities of life.

"Such a danger was thought to be then imminent and all felt that it must be met firmly and by such statutory regulations as would adequately protect the people against oppression and wrong. Congress, therefore, took up the matter and gave the whole subject the

fullest consideration. All agreed that the national government could not by legislation regulate the domestic trade that was carried on wholly in the several states, for power to regulate such trade remained with, because never surrendered by, the states. But under authority expressly granted to it by the Constitution, Congress could regulate commerce among the several states and with foreign states. Its authority to regulate such commerce was and is paramount, due force being given to other provisions of the fundamental law devised by the fathers for the safety of the government and for the protection and safety of the essential rights inhering in life, liberty and property, by way of judicial legislation and exception not placed there by the law-making branch of the government."

"This," the court said, "as we have seen, we cannot and we ought not to do. It thus appears that fifteen years ago, when the purpose of Congress in passing the anti-trust act was fresh in the minds of the courts, lawyers, statesmen and the general public, this court expressly declined to indulge in judicial legislation by inserting in the act the word 'unreasonable' or any other word of like import. It may be stated here that the country at large accepted this view of the act, and the federal courts throughout the entire country enforced its provision according to the interpretation given in the freight association case."

Justice Harlan then reviewed the next great case involving the anti-trust act, the Joint Traffic Association case, considering the conditions under which this case arose. Justice Harlan said:

"But those who were in combinations that were illegal did not despair. They at once set up the baseless claim that the decision of 1896 disturbed the 'business interests of the

country,' and let it be known that they would never be content until the rule was established that would permit interstate commerce to be subjected to reasonable restraint. Finally an opportunity came again to raise the same question which this court had, upon full consideration, determined in 1896."

Repeating that the Supreme Court in that case again refused to write the qualifying word "unreasonable," into the law, Justice Harlan says: "These utterances, taken in connection with what was previously said in the trans-Missouri freight case, show too clearly and affirmatively to admit of doubt that this court, many years ago, upon the fullest consideration, interpreted the anti-trust act as prohibiting and making illegal not only every contract or combination, in whatever form, which was in restraint of interstate commerce, without regard to its reasonableness or unreasonableness, but all monopolies or attempts to monopolize, any part of such trade or commerce.

"Now this court is asked to do that which it has distinctly declared it could not and would not do, and has now done what it then said it could not constitutionally do. It has by mere interpretation modified the act of Congress and deprived it of practical value as a defensive measure against the evils to be remedied. On reading the opinion just delivered the first inquiry will be, that as the court is unanimous in holding that the particular things done by the Standard Oil Company and its subsidiary companies in this case were illegal under the anti-trust act, whether those things were in reasonable or unreasonable restraint of interstate commerce, why was it necessary to make an elaborate argument as is done in the opinion to show that according to the 'rule of reason' the act as passed by

Congress should be interpreted as if it contained the word 'unreasonable' or the word 'undue.'

"The only answer which, in frankness, can be given to this question is that the court intends to decide that its deliberate judgment, fifteen years ago, to the effect that the act permitted no restraint whatever of interstate commerce, whether reasonable or unreasonable, was not in accordance with the "rule of reason." In effect the court says that it will now, for the first time, bring the discussion under 'the light of reason' and apply the 'rule of reason' to the question to be decided. I have the authority of this court for saying that such a course of proceedings on its part is 'judicial legislation.'"

In conclusion Justice Harlan said: "After many years of public service at the national capital, and after a somewhat close observation of the conduct of public affairs, I am compelled to say that there is abroad in our land a most harmful tendency to bring about the amending of constitutions and legislative enactments by means alone of judicial construction. As a public policy has been declared by the legislative department in respect to interstate commerce, over which Congress has entire control under the Constitution, all concerned must patiently submit to what has been lawfully done until the people of the United States, the source of all national power, shall, in their own time, upon reflection and through the legislative department of the government, require a change of that policy.

"There are some who say that it is a part of one's liberty to conduct commerce among the states without being subject to governmental authority. But that would not be liberty, regulated by law, and liberty which cannot be regulated by law is not to be desired. The supreme law of the land which is

binding alike upon all—upon presidents, congresses, the courts and the people—gives to Congress, and to Congress alone, authority to regulate interstate commerce, and when Congress forbids any restraint of such commerce in any form, all must obey its mandate. To over-reach the action of Congress merely by judicial construction—that is, by indirection—is a blow at the integrity of our governmental system, and in the end will prove most dangerous to all.”—N. Y. Commercial.

It would seem that before finance and trade can start right on another era of sound prosperity, there must be liquidation in commercial and industrial circles. Conditions in general leave much to be desired, and does not offer anything to refute the theory of the law of cycles that business will be on the downward trend, and judging the future by the past, and reasoning from what we know, the future does not promise great prosperity. 1911 is the third year in this Down Cycle of seven years; therefore, we must have four years more of decline after 1911 to fill up the cycle of seven years, and no doubt “History will repeat itself” here as it has done in other cycles heretofore.

The year 1912 is Presidential year, and with part of the republicans banding together and forming the “National Progressive League,” it would seem as though there would be political changes in 1912, and whether or not it will be for the country’s good only Father Time can tell, but as before stated, whatever the political situation may develop, better times can not come for general business, until the price of iron shows that it is in demand in the industries of the country.

In conclusion the following editorial, which appeared in the New York Globe, in the issue of August 19, 1910, is worthy of repetition, and perhaps the reader after a perusal of the

cycles in business, will find a striking similarity in the advice of one of the country's most successful men, and what has been set forth herein:

“The Twentieth Century Wizard.”

“A great many people are not half so much interested in the kings of finance as they are in the wizards of finance. Yesterday Mr. John D. Rockefeller spoke almost as a sorcerer—and the people to whom he spoke are as much concerned because of his words as a Greek might have been by the words of an oracle.

“Mr. Rockefeller was driving his car through the country near Cleveland, Ohio. Stopping by the road to get a drink, he asked of the woman who brought it to him whether her husband owned the little farm.

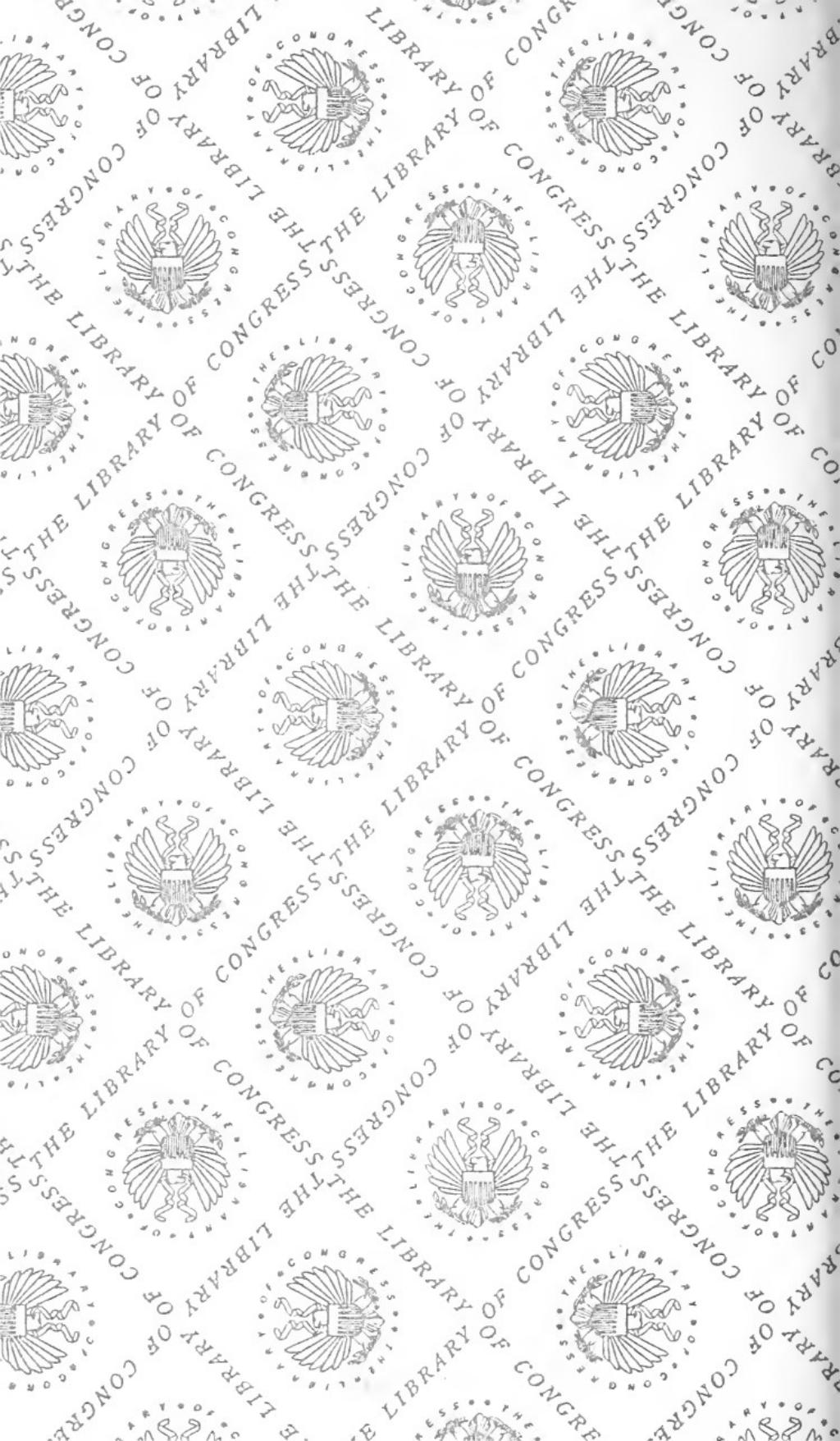
“‘No,’ she said, ‘but we’re going to build across the road next spring.’

“‘Excuse me for giving advice,’ put in Mr. Rockefeller, ‘but you had better wait two years before building.’”

CONCLUSION.

The subject in this volume is not, and could not be, strictly original; much herein contained has already been used and presented more ably by others, although the endeavor has been to present the subject in an original form. In some cases the language of other writers has been freely adopted, perhaps too literally, but the idea has been to present, as concise as possible, a review that will enable the reader to observe the trend of the Business Cycles, and be guided thereby in his future undertakings.

It would be impossible to enumerate all the sources and authorities from which the data has been drawn, but to all I freely and gratefully acknowledge my thanks.—The Author.



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